

Message Text

CONFIDENTIAL

PAGE 01 NEW DE 12064 01 OF 02 261409Z

ACTION SP-02

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-05 H-01

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SS-15

USIA-06 DLOS-09 OES-07 AID-05 COME-00 EB-08

FRB-03 TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01

OMB-01 STR-04 CEA-01 IGA-02 MMO-01 IO-13 EUR-12

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 5662

C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 12064

FOR S/P LAKE FROM AMBASSADOR GOHEEN

E.O. 11652: GDS

TAGS: EGEN, ECIN, IN

SUBJECT: NORTH-SOUTH STRATEGIES

REF: STATE 191928

THE STUDIES YOU ARE PREPARING, ASIDE FROM THEIR OBVIOUS USEFULNESS, WILL MAKE INTERESTING READING. I HOPE YOU WILL SHARE THE FINAL VERSION WITH US, AS THE ANSWERS TO THE QUESTIONS YOU POSE ARE PARTICULARLY RELEVANT TO US HERE. YOU HAVE ASKED FOR A REGIONAL VIEW. WHILE THERE MAY BE SOME AREAS WHERE SIMILAR VIEWS ARE SHARED BY THE COUNTRIES OF SOUTH ASIA (RESOURCE TRANSFERS, ACCESS TO MARKETS), THERE ARE MANY WHERE THEY ARE QUITE DISSIMILAR (LOS, SECURITY MATTERS). AT THE SAME TIME, INDIA'S SIZE DOMINATES THE REGION. I WILL THEREFORE CONFINE MY VIEWS ON THE QUESTIONS YOU POSE TO THOSE SEEN BY US IN INDIA.

I. 1. INDIA SEES ITSELF AS A REGIONAL IF NOT A GLOBAL POWER AND EXPECTS TO BE CONSULTED ON MAJOR GLOBAL ISSUES. WE HAVE NOT ALWAYS ACCEPTED THIS VIEW, AND THE INDIANS, WHO KNOW THIS, HAVE BEEN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 NEW DE 12064 01 OF 02 261409Z

PLEASED BY THE RECENT SERIES OF US CONSULTATIONS WITH THEM (AMBASSADOR RICHARDSON ON THE LOS; DEPUTY SECRETARY CHRISTOPHER'S VISIT; THE NYE TALKS ON NUCLEAR MATTERS; INDIANOCEAN DISCUSSIONS; AND AMBASSADOR WELLS' TALKS ON NORTH-SOUTH ISSUES).

2. INDIA IS NOW A MEMBER AND PLAYS AN ACTIVE ROLE IN VIRTUALLY EVERY MULTILATERAL ORGANIZATION. THIS IS SO NOT BECAUSE WE HAVE

ENCOURAGED IT, OR BECAUSE THE ORGANIZATION WISHED TO HAVE A TOKEN REPRESENTATIVE OF THE THIRD WORLD AMONG ITS MEMBERSHIP, BUT BECAUSE OF INDIA'S SIZE AND IMPORTANCE AS A REGIONAL POWER. FORTUNATELY, SHE IS COMMITTED TO "COOPERATION RATHER THAN CONFRONTATION", AND IN THAT SENSE, FROM OUR POINT OF VIEW, PLAYS A CONSTRUCTIVE ROLE.

3. INDIA'S INTERESTS SINCE INDEPENDENCE HAVE LED HER TO ADOPT A POLICY OF NON-ALIGNMENT. HER SIZE AND POWER PLACED HER IN A POSITION OF LEADERSHIP AMONG OTHER COUNTRIES FOLLOWING SIMILAR POLICIES. INDIA HAS MUCH TO GAIN FROM THIS BUT IT ADDS TO INCENTIVES TO TAKE CERTAIN POSITIONS COUNTER TO OUR OWN (LOS, NUCLEAR MATTERS, FOREIGN BASES, SOME ELEMENTS OF THE NEW ECONOMIC ORDER SUCH AS GREATER INDIRECT RESOURCE TRANSFER). ON THE OTHER HAND, IN VIEW OF INDIA'S CONSIDERABLE ECONOMIC DEVELOPMENT, SOME BASIC ECONOMIC INTERESTS (CAPITAL, TECHNOLOGY, MARKETS) DICTATE THAT INDIA SHOW RESTRAINT IN DEALING WITH DEVELOPED AND OTHER NON-ALIGNED COUNTRIES. THESE TWO, OFTEN OPPOSITE, SETS OF INTERESTS, TOGETHER WITH THE BALANCED APPROACH SHE IS NOW PRACTICING IN HER RELATIONS WITH THE MAJOR POWERS, RESULT IN THE "MODERATE" OR COOPERATIVE STANCE INDIA OFTEN TAKES IN MULTILATERAL FORA.

4. THIS UNDERSTANDING OF INDIA'S MIXED MOTIVES, TOGETHER WITH OUR SHARED COMMITMENT TO THE DEMOCRATIC PROCESS ADD TO OUR BELIEF THAT INDIA'S BROADENED PARTICIPATION IN MULTILATERAL AND GLOBAL INSTITUTIONS HAS BEEN AND CONTINUES TO BE IN OUR INTEREST.
CONFIDENTIAL

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PAGE 03 NEW DE 12064 01 OF 02 261409Z

WITH OUR NOW IMPROVED RELATIONSHIP, IT OFFERS US AN OPPORTUNITY TO CARRY ON DISCUSSIONS WITH A COUNTRY THAT IS OFTEN ON THE OTHER SIDE OF AN ISSUE, BUT WHICH HAS INTERESTS IN FINDING SOLUTIONS TO PROBLEMS THAT DO NOT UNDULY DISRUPT THE PRESENT WORLD ORDER.

II. 1. AS A GOVERNMENT WHICH HAS COME TO POWER BASED ON A REAFFIRMATION OF DEMOCRATIC PRINCIPLES AND A PROMISE TO PROVIDE FOR THE BASIC HUMAN NEEDS OF ITS SOCIETY, THE GOI WOULD PUBLICLY SUPPORT US EFFORTS TO FOCUS ITS FOREIGN ASSISTANCE IN THIS DIRECTION. WE ASSUME THE INTENTION WOULD BE TO HELP LDCS ORGANIZE THEMSELVES TO BETTER PROVIDE FOR BASIC HUMAN NEEDS, RATHER THAN HAVE EXTERNAL DONORS ASSUME RESPONSIBILITY FOR THEM. NONETHELESS, IMPLEMENTATION OF SUCH AN ASSISTANCE PROGRAM WOULD BE ANOTHER MATTER. THE CLOSE INVOLVEMENT OF EXTERNAL AGENCIES IN GRASS-ROOTS UPLIFT ACTIVITIES HAS DEFINITE LIMITS. FOR EXAMPLE,
(A) THERE IS A PROBLEM OF MONITORING AND EVALUATION PROGRAMS AT THE COMMUNITY LEVEL IN INDIA. THE PRESENCE OF EXPATRIATE OFFICIALS ON THAT LEVEL IS USUALLY UNACCEPTABLE.

(B) WHILE DELIVERY SYSTEMS FOR GOVT SERVICES TO THE POOREST ELEMENT OF SOCIETY ARE INADEQUATE (WITH HOWEVER LOCAL AND REGIONAL EXCEPTIONS), THE RATE OF ABSORPTION OF INVESTMENT TO EXPAND THESE

DELIVERY SYSTEMS HINGES LESS ON THE ABILITY TO FINANCE THEM THAN ON THE TRAINING AND DISPOSITION OF HUMAN RESOURCES TO STAFF THESE SERVICES. THIS IS TRUE EVEN IN INDIA, WHICH HAS A LARGER POOL OF TRAINED MANPOWER THAN MOST LDCS.

(C) THERE IS A FEELING IN SOME CIRCLES THAT A CALL BY DEVELOPED COUNTRIES TO FOCUS DEVELOPMENT ON THE POOREST ELEMENT OF SOCIETY IS A SCHEME TO SLOW THE ECONOMIC DEVELOPMENT OF THE LDCS. THEIR VIEW IS THAT SUCH A FOCUS WOULD INHIBIT DEVELOPMENT OF THE INFRASTRUCTURE AND THE EXPLOITATION OF NATURAL RESOURCES, BOTH OF WHICH ARE ALSO NEEDED FOR A STRONG ECONOMY. (CONTINUED)

CONFIDENTIAL

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PAGE 01 NEW DE 12064 02 OF 02 270325Z
ACTION SP-02

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SS-15
USIA-06 DLOS-09 OES-07 AID-05 COME-00 EB-08
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P 261257Z AUG 77

FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC PRIORITY 5663

C O N F I D E N T I A L SECTION 2 OF 2 NEW DELHI 12064

C O R R E C T E D C O P Y (TEXT GARBLED THRUOUT)

FOR S/P LAKE FROM AMBASSADOR GOHEEN

REF: STATE 191928

2. TO THE EXTNT THAT IMPROVEMENT OF BASIC HUMAN NEEDS AS AN OBJECTIVE TRANSLATES INTO SOCIAL REFORM RATHER THAN WELFARE SUBSIDIES, THIS COULD THREATEN THE POSITION OF ESTABLISHED ELITES. AN ESSENTIAL WAY OF REDUCING ADVERSE REACTIONS TO FOREIGN INVOLVEMENT IN THESE REFORMS WOULD BE A REQUIREMENT THAT AID-ASSISTED PROGRAMS BE PLANNED AND DEVELOPED BY THE HOST GOVT, BE DERIVED FROM THE HOST GOVT'S OVERALL DEVELOPMENT PLAN, AND BE IMPLEMENTED BY AGENCIES DESIGNATED BY THE HOST GOVT.

III. 1. PROGRAMS THAT WOULD HELP PROVIDE FOR BASIC HUMAN NEEDS, SUCH AS HEALTH, NUTRITION AND RURAL DEVELOPMENT, TO A

GREAT EXTENT NEED LOCAL COST FINANCING. BOTH THE WORLD BANK AND MOST WESTERN COUNTRIES NOW PARTICIPATE IN THIS KIND OF AID PROGRAM. THE AID PROGRAMS OF COMMUNIST COUNTRIES, HOWEVER, HAVE BEEN TIED TO PROCUREMENT FROM THE DONOR COUNTRY ONLY. A JOINT PROJECT FOR PROVIDING BASIC HUMAN NEEDS THEREFORE WOULD MEAN THAT

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 NEW DE 12064 02 OF 02 270325Z

WESTERN DONORS' AID WAS UNTIED LOCAL COST FINANCING WHILE COMMUNIST AID WOULD REMAIN TIED TO PROCUREMENT IN THEIR OWN COUNTRIES AND THUS OF LIMITED USEFULNESS.

2. EXCEPT FOR INDIVIDUAL DONOR COUNTRY PARTICIPATION IN WORLD BANK PROJECTS, WE KNOW OF NONE HERE WHERE TWO OR MORE BILATERAL DONORS COLLABORATE ON ONE PROJECT. IT IS OUR UNDERSTANDING THAT AS A MATTER OF POLICY, INDIA PREFERS A ONE-ON-ONE DONOR-RECIPIENT BILATERAL RELATIONSHIP. A JOINT US-SOVIET PROJECT, IN OUR VIEW, WOULD RUN A FURTHER RISK OF APPEARING TO CARRY A "SUPERPOWER CONSORTIUM" INTO THE AID FIELD.

3. THE SOVIET EMBASSY ECONOMIC COUNSELOR, WHO IS THE SOVIET VERSION OF AN AID DIRECTOR, HAS EXPRESSED INTEREST IN THE MODALITIES OF WESTERN-TYPE AID (AND SPECIFICALLY IN LOCAL COST FINANCING). HE HAS AFFIRMED, HOWEVER, THAT THIS COUNTRY CAN ONLY PROVIDE PROJECT ASSISTANCE TIED TO SOVIET SUPPLIES. AN INDIAN OFFICIAL WHO DEALS WITH SOVIET ASSISTANCE DESCRIBED THEIR AID AS EXTREMELY RIGID AND RELATIVELY EXPENSIVE. THUS BOTH INDIAN INTEREST AND SOVIET CAPABILITIES LIMIT THE ROLE THE SOVIETS CAN PLAY IN JOINT PROGRAMS.

4. ONE AREA OF ASSISTANCE TO DEVELOPING COUNTRIES OFFERING PROSPECTS FOR JOINT EFFORT IS IN EXPANDED TECHNICAL ASSISTANCE COOPERATION IN THE LDCS. THE UNDP SYSTEM ALREADY ILLUSTRATES THE POTENTIAL FOR THIS AND COULD BE EXPANDED.

5. IN INDIRECT RESOURCE TRANSFERS, THE SOVIET ROLE CAN ONLY BE LIMITED. THEY HAVE PROVED INTRACTABLE ON DEBT RELIEF (AS THE LONG NEGOTIATIONS ON THE RUPEE-ROUBLE PROBLEM DEMONSTRATES). TRADE WITH INDIA IS CONDUCTED IN RUPEES AND IS REGIMENTED ANNUALLY BY TRADE AGREEMENTS (WHERE TARIFFS, FOR EXAMPLE, PLAY NO PART). ONE OTHER AREA- COMMODITIES- COULD OFFER SOME PROSPECT FOR COMMUNIST COUNTRY INVOLVEMENT IN MULTILATERAL PROGRAMS. MUCH

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PAGE 03 NEW DE 12064 02 OF 02 270325Z

OF INDO-SOVIET TRADE IS IN COMMODITIES, AND THE DETERMINING PRICE USED IS THE WORLD MARKET PRICE. WE ARE NOT COMPETENT TO DISCUSS THE EXTENT OF SOVIET INVOLVEMENT IN THE WORLD'S COMMODITY MARKETS, BUT OUR IMPRESSION IS THAT IT IS SUBSTANTIAL.

SINCE COMMODITY MOVEMENTS ARE OF SUCH VITAL IMPORTANCE TO BOTH DEVELOPED AND DEVELOPING COUNTRIES, COMMUNIST COUNTRY PARTICIPATION IN MULTILATERAL COMMODITY INSTITUTIONS MIGHT OFFER SOME PROSPECTS FOR JOINT EFFORTS.

6. ON BALANCE, THE DIFFERENCES IN THE SYSTEMS OF MARKET ORIENTED VERSUS CENTRALLY DIRECTED ECONOMIES LIMIT THE OPPORTUNITIES FOR JOINT PROGRAMS TO EFFECT INDIRECT TRANSFERS OF RESOURCES TO DEVELOPING COUNTRIES. UNLESS PRESENT POLICIES OF COMMUNIST COUNTRIES BECOME MORE FLEXIBLE, JOINT EFFORTS TO EFFECT DIRECT RESOURCE TRANSFERS TO THE LDCS WILL ALSO REMAIN LIMITED.
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